

La Opinion

Social Security: An Important Debate for Latinos

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President Bush has traveled the country in recent weeks to discuss with the American people his vision to permanently fix Social Security. Thanks in large part to his leadership and courage, Congress is now focused on the serious problems facing this American institution. Latinos, like all Americans, want a Social Security system that's strong for the long-term and allows participants to build a nest-egg for themselves and their families.

For the Latino population, the Social Security debate will be of the utmost importance as Hispanics rely on the system more than many other Americans. Within our community, nearly 40 percent of Hispanic beneficiaries rely on Social Security for all of their income and three out of four rely on it for at least half their income. As a group, we also bear a greater share of the burden of supporting the current pay-as-you-go system. President Bush understands the significance for our community and he has proposed measures – such as the creation of voluntary personal retirement accounts – that would greatly benefit Hispanic Americans.

President Bush has assured Americans that he will not change the system in any way for those born before 1950. Social Security is sound for today's seniors and benefits will continue unchanged for current retirees and those nearing retirement. Rather, the goal of the proposed improvements is to ensure that the system will be there for our children and grandchildren.

Much has changed since Social Security was created almost 70 years ago, and the government has made promises that it cannot afford to keep under the current pay-as-you-go system. For example, in 1950, there were 16 workers for every one person drawing benefits. Today, there are just over three workers for each beneficiary. Eventually, there will be only two workers to support each person on Social Security.

For Hispanics, the problem will grow even worse. Latino workers are younger on average and will increasingly bear the burden of the Social Security funding shortfall if the system is not reformed. By 2030, Hispanics will comprise 17 percent of workers supporting the current system, up from 12 percent in 2002. Reform is needed to reduce the growing burden on young Latino workers and to keep the promise of Social Security alive well into the future – so that their children and grandchildren can still count on retirement security.

Three years from now, in 2008, the first baby boomers will begin to retire. In 2018, 13 years from now, the government will begin to pay out more in Social Security benefits than it collects in payroll taxes. By 2042, when younger workers begin to retire, the system will be bankrupt. Under the current system, today's 30-year-old worker will face a 27 percent benefit cut when he or she reaches normal retirement age.

Adding voluntary personal accounts to the retirement program would make the system a better deal for younger workers and ensure that our children and grandchildren have better benefits. Personal accounts would benefit Hispanics in particular by capitalizing on our earlier, additional working years for retirement because every year's contribution to an account would add to a worker's total benefits. The nest-egg of a personal account would remain secure and continue accrue interest even during periods of unemployment.

In what is perhaps the most important change to the system, personal retirement accounts could be passed on to loved ones. Each personal account would be under the individual worker's ownership and control. Those who elect to have a personal account would make regular investments in conservative bonds or stocks throughout their working life, then either choose to use those investments for retirement expenses or leave them as an inheritance for the next generation. Personal accounts would enable Hispanics' earnings to grow – with the right to pass on their account balance should they die before exhausting it.

Hispanics are among those with the most to gain from the President's proposals, particularly by creating economic assets under their control. Personal accounts are part of a comprehensive solution to help resolve the long-term challenges to Social Security in a way that is fair to future generations. They would accelerate the American tradition of upward mobility and individual independence.

The President's top domestic priority is saving Social Security. He shares our goals of decreasing poverty in the Latino community, ensuring that Social Security is solvent for generations to come and allowing participants to grow a nest-egg which could be passed on to loved ones.

To keep the promise of Social Security strong for future generations, the federal government needs to fix the system once and for all. If we wait to fix Social Security, the only solutions will be dramatically higher taxes, massive new borrowing or sudden and severe cuts in benefits or other government programs.

President Bush has pledged to work with Congress to find the most effective combination of reforms. The President believes we must move ahead with reform on a bipartisan basis, and we in the Hispanic community should support him, because our children's retirement security is more important than partisan politics.